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DRAFT - 6/30/64
JABross:mm

MEMORANDUM:

A question has been raised concerning one of the changes which I have suggested in the proposed wording of the Presidential Directive recommended by the PFIAB to govern the NRO. My wording states:

"Assignment to the Department of Defense (Air Force) of the responsibility for the management, over-all systems engineering, procurement and operations of all satellite reconnaissance systems (end of quote from PFIAB document) developed within the Air Force, and assignment to the Central Intelligence Agency responsibility for research and development and procurement of the payloads of systems assigned to it under the NRP with responsibility for launching and recovery operations and related engineering for such CIA systems to be assigned to the Air Force."

My intention was to ensure that the agency responsible for the research and development of a particular system would continue to control relations with the contractors who produce the system during the production stage. This, in my opinion, is important in order to ensure continued improvement to the system after it has initially become operational.

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Conversely, it was my intention to ensure that responsibility for launching and recovery, and related engineering in connection with such operations, be vested in the Air Force.

I have used the term "procurement" as meaning the responsibility for ensuring that "payloads" are produced and made available in accordance with schedules to meet operational requirements. My thought is that individual payloads would be made available, on a requisition basis, to the Air Force for launching as required.

It is claimed that assignment to the Central Intelligence Agency of responsibility for "procurement" (in a sense that I have used the word) would confuse and impinge on the operational authority assigned to the Air Force for launching, recovery and related engineering. I maintain, on the basis of a great many years of personal experience in both industry and government, that this argument is invalid. It seems to me essential that the agency responsible for the invention and development of a system should continue to be responsible for its production and procurement after it has reached the operational stage.

If the organization responsible for development of a system retains responsibility for production and procurement of finished articles, there will be an incentive for continuing improvement and perfection of the system. If, on the other hand, responsibility for development and

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production is turned over to a stranger, the system ceases to grow. The U-2, for example, has grown enormously through the years as a result of CIA ingenuity and resourcefulness. On the other hand, the Air Force U-2's have not grown comparably - in fact they have not grown at all. Likewise, CORONA has grown and one innovation after another has been adopted with the result that the product is vastly improved. My question is, would this growth have taken place if it was not for CIA's initiative, resourcefulness and willingness to provide essential attention and support?

It is my observation through the years that the same is true in private industry. A manufacturer takes a license to build a device developed by another organization and in the hands of the licensee, the device remains static. On the other hand, the product of the licensor continually improves because of the input of the creators. Having invented and developed the device, they wish to continually improve and perfect it. The licensee is not so motivated.

An additional factor is the great importance of maintaining the continuing and energetic interest of the in-house organization as well as the contractors. Not many men feel really inspired and are inclined to put forth their best efforts if their role in research and development and the production of their ingenuity is turned over to others once it is completed. Likewise manufacturers indicate a willingness to cooperate to the fullest

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extent, often undertaking profitless contracts and absorbing losses if they know the agency with whom they are working will ultimately be in the market. On the other hand, once realizing that procurement of production items will pass into the hands of others, they soon become disinterested and unwilling to put forth their best effort even in the research and development phases of an undertaking. It is for that reason that contractors now are questioning the wisdom of working with CIA because they have been told - and slyly told - by Air Force spokesmen that "CIA is no longer in this business" (indeed some have been warned not to work with or even talk to CIA without prior clearance). A somewhat analogous example is the case of Eastman which is not inclined to put forth its best effort on film research and processing for the Air Force because they observe a trend towards passing the production part of the job over to Air Force facilities.

It is for these reasons that I believe that procurement must be performed by the agency responsible for development if we are to expect the most ingenious ideas, the best progress and the greatest growth in the system.

Payloads so developed can be delivered as "government-furnished equipment" to the organization responsible for launching and recovery operations and related engineering. I have listened to the arguments

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maintaining that this dilutes authority and responsibility, and am not at all persuaded by them. My experience in engineering, in construction, in aircraft manufacture, in ship building, in power plant construction, in oil refinery engineering, and in a variety of other activities has convinced me that these arguments are without validity.

When I was Under Secretary of the Air Force the Boeing Aircraft Company claimed they could not build the B-47 or the B-52 unless they procured the engines and other components. Other airframe manufacturers put forth the same claim, using arguments similar to those which have been advanced to me. These arguments were rejected, the engines and components were furnished as government-furnished equipment, and the planes were delivered on schedule. In 35 years of experience, I have not encountered a single situation in which the argument now advanced stood up as valid.

I therefore continue to be convinced of the soundness of my original proposal. Responsibility for production and procurement of finished articles or "payloads" should not be separated from the responsibility for research and initial development. Individual "payloads" can be turned over to the operating agency (the Air Force) on a requisitioned basis.

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